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**Local Authorities
Pension Plan**

**ANNUAL
REPORT**

FOR THE FISCAL YEAR ENDED MARCH 31, 1989



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Local Authorities Pension Plan

ANNUAL REPORT

for the fiscal year ended March 31, 1989

PROVINCIAL TREASURER

224 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-8809


February 1990

The Honourable Dr. David Carter
Speaker of the Assembly

Sir:

Pursuant to section 4 of the Local Authorities Pension Plan Act, being Chapter L-28.1 of the 1985 Statutes of Alberta, I have the honour to lay before the Assembly the annual report on the operation of the Local Authorities Pension Plan for the fiscal year ended March 31, 1989.

Respectfully submitted,



Dick Johnston
Provincial Treasurer

February 1990

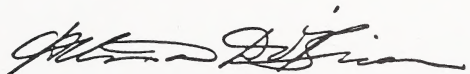
The Honourable Dick Johnston
Provincial Treasurer

Sir:

In accordance with section 4 of the Local Authorities Pension Plan Act, I have the honour to transmit herewith the annual report on the operation of the Local Authorities Pension Plan for the fiscal year ended March 31, 1989, to be laid by you before the Legislative Assembly.

The annual report includes a statement of the most recent estimate of the actuarial liabilities of the Plan as required by section 4(2) of the Act.

Respectfully submitted,



A. D. O'Brien
Deputy Provincial Treasurer
Management and Control

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Introduction

The Local Authorities Pension Plan was established effective April 1, 1962, by the Local Authorities Pension Act to provide a contributory pension scheme for employees of local authorities in Alberta. Local authorities include cities, towns, counties, municipal districts, hospitals, school divisions and districts, and other public bodies in Alberta, approved by the Lieutenant-Governor in Council.

The Local Authorities Pension Act was repealed on November 1, 1985, and replaced by the Local Authorities Pension Plan Act. Under the new legislation, policy and administration became the responsibility of the Lieutenant-Governor in Council and the Minister respectively, while the Local Authorities Pension Plan Board was assigned an advisory and appellate role.

Plan Overview

The Local Authorities Pension Plan is a contributory defined benefit plan. For the calendar year 1988 employee contributions were at a rate of 4.2 per cent of basic salary, up to the year's maximum pensionable earnings under the Canada Pension Plan, and 6.0 per cent on any excess. These rates were increased to 4.375 per cent and 6.25 per cent respectively on January 1, 1989. The employer contributes at a rate of one per cent higher than the rate of the employee contributions. The net amount of pension contributions less payments is deposited to or withdrawn from the Pension Fund pursuant to the Pension Fund Act. The income of the Pension Fund accrues to and forms part of the Fund. The Government of Alberta guarantees the payment of all benefits under the Local Authorities Pension Plan.

Members may retire at any time after age 55 if five years of pensionable service have been accumulated. Normal pensionable age is 65, but members may also retire on an unreduced pension at any time after age 55 providing that pensionable service plus age totals not less than 85. There is no mandatory retirement age. Pension benefits are based on the number of years of pensionable service multiplied by 1.4 per cent of salary up to the maximum pensionable earnings under the Canada Pension Plan and two per cent of the excess salary. Salary is calculated as the highest average pensionable earnings for five consecutive years. If the member has a spouse, unless a waiver is signed by the spouse, the pension must be a joint pension guaranteed for the life of the member and spouse. The normal form of a pension is for the life of the member with a five year guarantee period. Single members may elect a life pension, choosing a normal pension, or a 10, 15 or 20 year guarantee period. They may also elect a joint life pension based on their life and that of a nominee.

The Plan also makes provision for those members who die prior to retirement and have accumulated at least five years of pensionable service. In such cases the surviving spouse is entitled to either a spousal pension or a lump sum benefit. The spousal pension is equal to the survivor benefit of a non-reduced joint life pension. A beneficiary other than a spouse must accept a lump sum benefit.

Review of Operations

The Local Authorities Pension Plan is administered by Alberta Treasury, Payroll and Pensions.

During the year under review, a number of systems and procedural enhancements were implemented. Improvements made to the administration of prior service now enable employers to provide estimated costs of eligible service directly to members. Benefits realized by this prior service refinement include improved timeliness and accuracy of information for both members and employers.

A review of the participant annual statement production and distribution resulted in additional and improved summary reporting. The format and content of summarized annual statement data was revised to provide employers with information concerning members approaching 35 years of service. These improvements will assist employers in carrying out their responsibilities.

During the year a review of the documentation associated with the processing of retirements, terminations, and annual reporting information was undertaken. Changes to the structure and content of forms led to a reduction in the amount and frequency of data required to be submitted by employers to the Pension Administration.

Procedures were changed so that all personal payments made by members are submitted via the relevant employer. This has improved the quality of the pension data base by ensuring that employers are aware of all transactions in respect of their members.

Actuarial Liabilities

An independent actuarial valuation carried out at March 31, 1988, estimated the accrued liability of the Local Authorities Pension Plan to be \$3,854,614,000. The normal actuarial cost of the plan as a percentage of payroll was estimated at 13.4 per cent.

Participation

At March 31, 1989 there were 483 employers participating in the Local Authorities Pension Plan, 75,416 active contributors and 4,843 terminated employees who had either not made a choice regarding their plan status or were awaiting a deferred pension.

A summary of the types of participating employers and the number of participants is provided in the section on Contributions.

Book Entry Transfers

The following transfers to and from other pension plans administered by the Province of Alberta were made by book entry during the year. These transfers are not reflected in the Statement of Receipts and Payments.

	Transfers To Local Authorities Pension Plan	Transfers From Local Authorities Pension Plan
	\$	\$
Public Service Pension Plan	2,865,103	1,563,322
Public Service Management Pension Plan	267,170	98,301
Special Forces Pension Plan	33,070	113,354
Universities Academic Pension Plan	74,648	56,385
	<u>3,239,991</u>	<u>1,831,362</u>

Reciprocal Agreements

At March 31, 1989, the Local Authorities Pension Plan had reciprocal transfer agreements in effect with the following pension authorities. The agreements enabled participants to transfer pension credits to and from these authorities.

Within Alberta

- Alberta Government Telephones Pension Plan
- Alberta Teachers' Retirement Fund
- Public Service Management Pension Plan
- Public Service Pension Plan
- Special Forces Pension Plan
- Universities Academic Pension Plan

Outside Alberta

- Canada Mortgage and Housing Corporation
- Dalhousie College and University
- Government of Canada
- Health Sciences Centre of Manitoba
- Manitoba Civil Service Superannuation Board
- Manitoba Municipal Employees Benefits Board
- Minister of Finance, Government of New Brunswick
- Minister of Finance, Government of Prince Edward Island
- Ontario Colleges of Applied Arts and Technology
- Ontario Municipal Employees Retirement Board
- Ontario Teachers' Superannuation Commission
- Regina Civic Employees' Superannuation and Benefits Plan
- Saint Paul University
- Saskatchewan Crown Investments Corporation
- Saskatchewan Health Care Association
- Saskatchewan Municipal Employees' Superannuation Commission
- Saskatchewan Power Corporation Superannuation Board
- Saskatchewan Teachers' Superannuation Commission
- University of Manitoba

Reciprocal Transfers

During the year ended March 31, 1989, the following number and value of reciprocal transfers were undertaken:

	Transfers To Local Authorities Pension Plan		Transfers From Local Authorities Pension Plan	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
		\$		\$
Alberta Government Telephones	3	49,248	6	67,535
Alberta Teachers' Retirement Fund	6	80,301	2	79,734
Government of Canada	20	208,607	12	202,148
Ontario Municipal Employees Retirement Board	-	-	10	233,864
Saskatchewan Health Care Association	17	307,019	3	36,872
Other	14	442,944	5	197,972
	<u>60</u>	<u>1,088,119</u>	<u>38</u>	<u>818,125</u>

Contributions

The schedule below summarizes the employee and employer contributions for the year ended March 31, 1989:

	Participants At March 31, 1989	Contributions Received		
		Employee	Employer	Total
		\$	\$	\$
Cities	22,370	36,199,174	42,751,725	78,950,899
Towns	1,496	1,727,591	1,987,227	3,714,818
Villages	75	73,930	85,165	159,095
Counties	2,835	3,189,856	3,611,764	6,801,620
Municipal Districts	582	1,077,078	824,229	1,901,307
School Districts	8,531	8,470,382	9,697,864	18,168,246
Commissions	181	362,268	382,518	744,786
Hospitals	29,758	35,884,993	40,394,905	76,279,898
Other	9,588	14,212,693	16,440,333	30,653,026
Accounts Held on Deposit	4,843	3,019	-	3,019
	<u>80,259</u>	<u>101,200,984</u>	<u>116,175,730</u>	<u>217,376,714</u>

Refunds

The following amounts of member contributions and interest were refunded during the year to members terminating employment:

	Number	Amount
		\$
Cash	3,546	9,696,341
Registered Retirement Savings Plans or Registered Pension Plans outside of a reciprocal agreement	1,894	9,471,822
	<u>5,440</u>	<u>19,168,163</u>

In addition, 392 refunds of excess contributions totalling \$84,526 were made to members and employers during the year.

Death in Service Benefits

In the current year 133 members died while in service. Sixty-seven of the surviving spouses were granted spousal pensions. Lump sums were paid to a total of 77 individual beneficiaries in respect of the other 66 deaths in service.

Information and Counselling Services

Payroll and Pensions presented 105 information seminars to employees during the year. Six orientation and 15 general workshops were held for employers to assist them in their pension administration responsibilities.

The average attendance at each seminar or workshop was 25 and 16, respectively. Alberta Treasury training facilities in Edmonton as well as facilities in locations across the province were used for these sessions.

A regular information bulletin, Pension News, was prepared for employers. The Alberta Retired Public Employees Society was again assisted by Payroll and Pensions with the publication of their quarterly newspaper, Postscript.

Annual statements containing information on pensionable service, contributions and prior service purchased were produced and forwarded to employers for distribution to active participants in the plan.

Pension Benefits

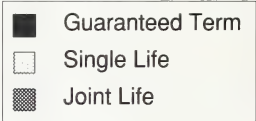
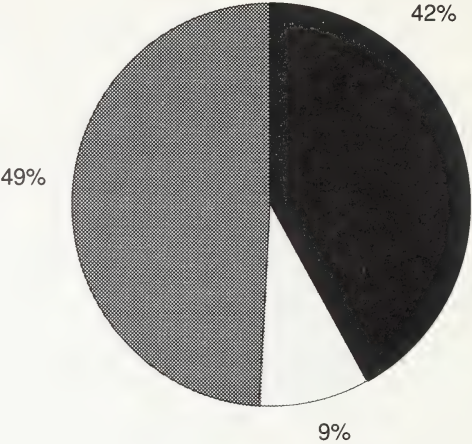
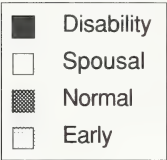
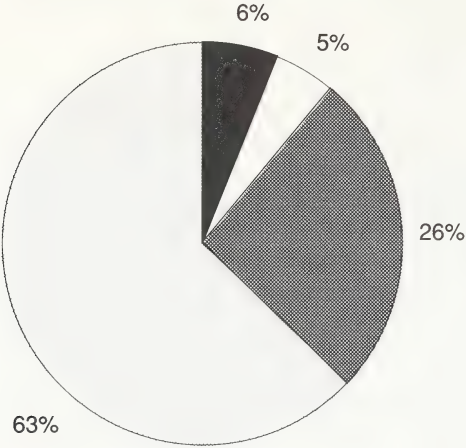
During the year ended March 31, 1989 pension benefits paid totalled \$119,753,205 an increase of \$14,113,130 (13.4 per cent) over the previous year. A total of 1,297 pensions were granted in the categories shown in the table below. Previous year figures are included for comparison.

	<u>1989</u>	<u>1988</u>
Normal Retirement	342	317
Early Retirement	816 (543)	766 (513)
Partial or Total Disability	72 (49)	75 (48)
Death-in-Service (Spousal)	67 (36)	59 (24)
	<u>1,297</u> (628)	<u>1,217</u> (585)

() Brackets denote pensions co-ordinated with Canada Pension Plan (CPP) and/or federal Old Age Security (OAS) payments.

Of the above retirements, 233 were in respect of deferred retirements from previous years (31 normal, 175 early and 27 disability).

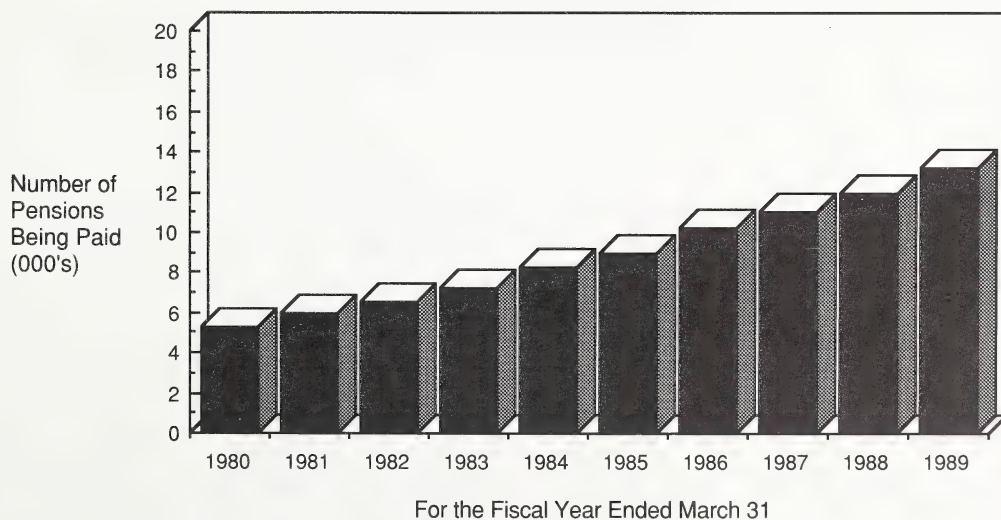
The charts below illustrate the relative proportions of retirements during the year by type of pension and option chosen:



Pension options selected by members are as follows:

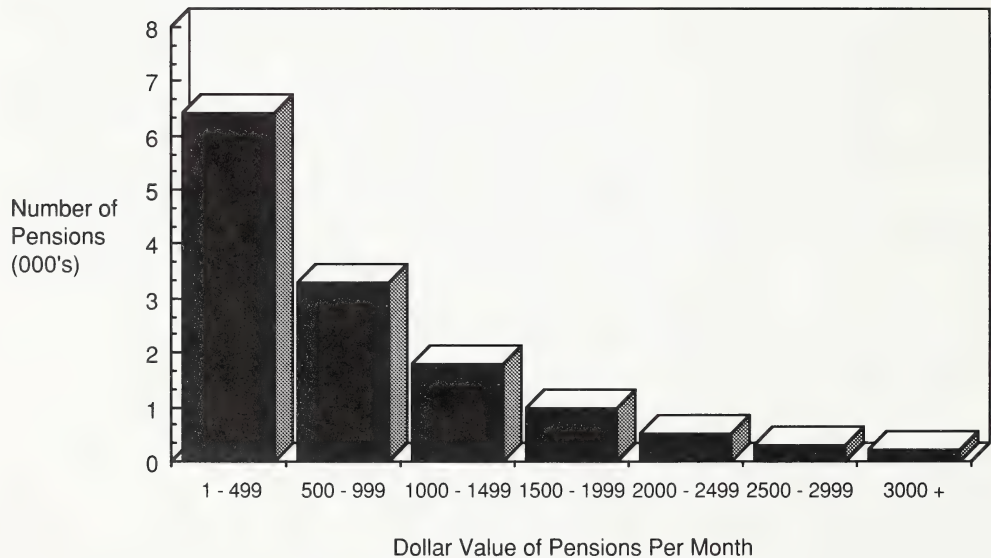
<u>Member Pensions</u>	<u>At March 31, 1988</u>	<u>New Retire- ments</u>	<u>Benefi- ciaries</u>	<u>Deaths</u>	<u>End of Guarantee Term</u>	<u>At March 31, 1989</u>
Normal						
(guaranteed 5 years)	1,980	135	7	(50)	(7)	2,065
Single Life	1,468	106		(49)		1,525
Guaranteed 10 years	2,299	115	32	(72)	(32)	2,342
Guaranteed 15 years	2,018	116	37	(53)	(19)	2,099
Guaranteed 20 years	1,485	121	27	(31)		1,602
Joint Life non-reduced	1,268	454	23	(26)		1,719
Joint Life Reduced one third	508	158	8	(8)		666
Joint Life Reduced one half	214	25	12	(6)		245
Spousal Pensions						
Single Life	232	12		(3)		241
Guaranteed 5 years	53	6				59
Guaranteed 10 years	101	7				108
Guaranteed 15 years	91	4	1	(1)	(1)	94
Guaranteed 20 years	392	38	1	(1)		430
	<u>12,109</u>	<u>1,297</u>	<u>148</u>	<u>(300)</u>	<u>(59)</u>	<u>13,195</u>
Pensions co-ordinated with CPP and/or OAS	<u>5,522</u>	<u>628</u>	<u>50</u>	<u>(109)</u>	<u>(24)</u>	<u>6,067</u>

The number of pensions being paid at the end of each of the last ten years is presented in the graph below:



The schedule and graph below categorize the pensions in effect at March 31, 1989, by dollar value of monthly pension:

<u>Dollar Value Per Month</u>	<u>Member Pensions</u>	<u>Spousal Pensions</u>	<u>Total</u>
\$ 1 - 499	5,839	510	6,349
500 - 999	2,985	277	3,262
1,000 - 1,499	1,669	96	1,765
1,500 - 1,999	968	35	1,003
2,000 - 2,499	487	11	498
2,500 - 2,999	200	3	203
3,000 and over	115	-	115
	<u>12,263</u>	<u>932</u>	<u>13,195</u>



Effective January 1, 1989, a cost of living adjustment of 2.0 per cent was granted to those pensioners in receipt of a pension for one year or more with a proportionately smaller increase granted to those retiring during the calendar year 1988.

STATEMENT OF RECEIPTS AND PAYMENTS

YEAR ENDED MARCH 31, 1989

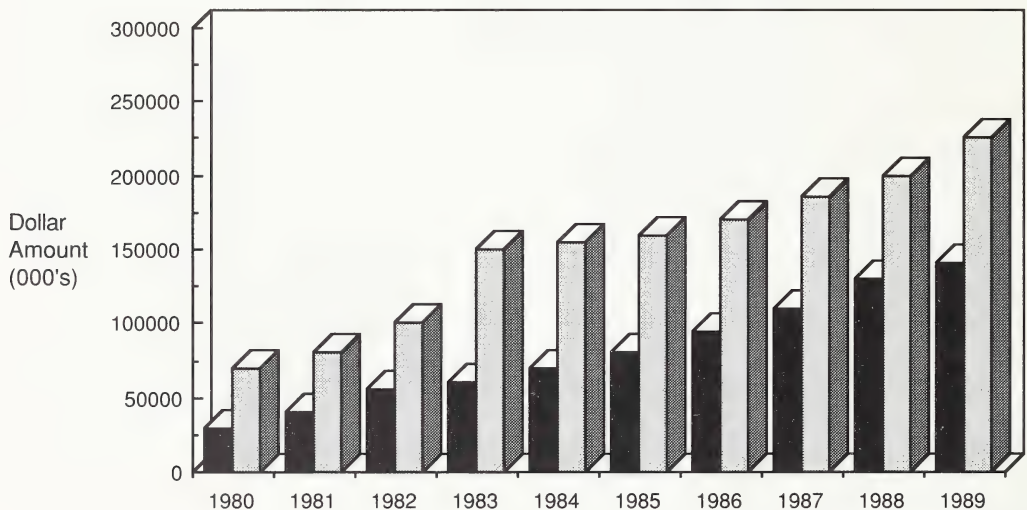
	<u>1989</u>	<u>1988</u>
	\$	\$
RECEIPTS		
Employee contributions	101,200,984	92,057,012
Employer contributions	116,175,730	106,184,615
Interest on overdue receivables	36,483	26,741
	<u>217,413,197</u>	<u>198,268,368</u>
PAYMENTS		
BENEFITS		
Pensions to retired members	111,652,476	98,528,734
Pensions to surviving spouses	6,472,876	5,833,589
Lump sums to beneficiaries of deceased pensioners	1,001,118	685,510
Lump sums to beneficiaries of deceased employees	626,735	592,242
	<u>119,753,205</u>	<u>105,640,075</u>
WITHDRAWALS		
Refunds of contributions and interest to terminated members (includes RRSP)	19,168,163	16,959,821
Reciprocal agreement transfers	818,125	977,116
Refunds of excess contributions	84,526	155,652
	<u>20,070,814</u>	<u>18,092,589</u>
Total payments	<u>139,824,019</u>	<u>123,732,664</u>
Excess of receipts over payments	<u><u>77,589,178</u></u>	<u><u>74,535,704</u></u>

Note: The receipts and payments shown above do not reflect transfers of contributions and interest to and from other pension plans administered by the Alberta Government. Such transfers are detailed under Book Entry Transfers.

Comparative Statistics

The table below shows comparative statistics of receipts and payments for the most recent five fiscal years. In addition, a graph is presented to illustrate a ten year trend.

Fiscal Year	(000's)						Excess of Receipts Over Payments
	RECEIPTS			PAYMENTS			
	Employee	Employer	Total	Benefits	With- drawals	Total	
	\$	\$	\$	\$	\$	\$	
1988/89	101,201	116,212	217,413	119,753	20,071	139,824	77,589
1987/88	92,057	106,211	198,268	105,640	18,092	123,732	74,536
1986/87	86,425	100,335	186,760	91,869	16,332	108,201	78,559
1985/86	77,473	91,401	168,874	80,274	15,448	95,722	73,152
1984/85	73,394	87,590	160,984	69,041	12,698	81,739	79,245



For the Fiscal Year Ended March 31

